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SUBJECT: THE VIEW FROM NIGERIA ON THE NIE

Classified By: Ambassador Robin R. Sanders for reason 1.4 (b) & (d)

11. (S/NF) Summary: The recently released National Intelligence Estimate (NIE) on Nigeria presents a picture of a country on a downward spiral with gradually worsening economic, political and social conditions which, over the next five years, should produce increased political instability, civil unrest, communal violence and disruptions to petroleum production. While noting the many issues to which the NIE refers, Mission Nigeria would like to contribute its on-the-ground sense of the most likely scenarios over the next five years as a complement to the intelligence assessment of Nigeria. In our view, we believe that today's Nigerian elite are less vulnerable to political and economic crises because they have both a commitment and the ability to fashion solutions that help them maintain the status quo and their vested interests. We also think the risk of renewed military intervention is, at least within this five-year parameter, decidedly unlikely, and that the Nigerian economy is less vulnerable to external economic shocks than the NIE foreshadows. In addition, while Nigeria's political system -- with its elaborate patron-client networks, "zonal" rotation of offices and constitutionally mandated "federal character" provisions -- is cumbersome and not particularly democratic, it does provide a mechanism to defuse the kind of ethnic tensions which threatened to tear Nigeria apart 40 years ago, and that continually threatens other parts of Africa. While we might characterize our view of the most likely Nigerian political forecast as "more of the same," we believe there are also possibilities for both political and economic progress, though these will require the support of outsiders, particularly the USG, as well as better GON leadership, to have a real chance of success. Nigeria is very much at a crossroads, but all is not yet lost. That being said, however, we will need to continue to heavily push our strategic partner in the right direction to shake it out of the "more of the same" framework in order for it to move forward. End Summary.

Concerns Raised by the NIE

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12. (S/NF) We of Mission Nigeria read the NIE with great interest, and appreciate the thoughtful analyses by different Washington agencies who contributed to it. While acknowledging the many shortcomings of this complex and often frustrating country and the many failings of its current leadership, we want to contribute to and complement the assessment with other possible scenarios over the next five years. The NIE highlights a picture of Nigeria which foreshadows a gradual worsening of economic, political and social conditions over the next five years. It notes that this time-frame will be characterized by an increase in political instability, more frequent incidents of civil unrest and communal violence, growing disruption of petroleum

production, and expanding corruption and criminality. It adds that this deterioration will produce an increasingly unfriendly atmosphere for international oil companies, raise the risk of Islamist terrorism and put growing strains on U.S.-Nigerian relations. Our overall view, at least as far as a five-year horizon, suggests the following: we believe the ruling Nigerian elite today is less vulnerable to regional, ethnic and religious divisions as forecast. We see the elite as both more willing and more able to find solutions which allow Nigeria to "muddle through" likely crises as they have learned the hard way about the importance of national unity. In addition, we think the Nigerian economy can weather the storms like the rest of the global community as the nation has markedly improved its macro-economic framework. Most importantly, however, we think that the Nigerian military is considerably less likely to intervene in politics today than at any other time in the country's post-independence history. The following discussion focuses on the next five years.

An Elite Less Vulnerable to Division

13. (S/NF) Like many places in the developing world, Nigeria has deep divisions between rich and poor, though, even by these measures, rich Nigerians are extremely few and very, very rich, while most Nigerians are poor, even by West African standards. One aspect of the rich/poor dichotomy in Nigeria is the extent to which it has produced an elite which is markedly different in its approach to ethnic and religious identity from the vast majority of Nigerians. The vast majority of ordinary Nigerians care a great deal about cultural identifications such as ethnicity and religion, and about certain economic issues such as access to land, water and other resources; they also live in a subsistence economy in which most of them have an income of below \$1 per day.

14. (C) For elite Nigerians, by contrast, the main preoccupations are access to political influence and office, and to the oil wealth they control. While rich Nigerians are certainly very sensitive to ethnic, regional and religious identity, these are much less important issues to them than they are to non-elite Nigerians. Nigeria's elite are, as a group, much more diverse and integrated than are the majority of poorer Nigerians. Former Head of State Babangida, for example, a prominent Muslim Northerner, is married to an Igbo from the Southeast, whose brother, Sonny Okogwu, manages Babangida's money. A more current example is power broker Bukola Saraki, Governor of the northern state of Kwara. He too is married to an Igbo. There are many more examples of the elite ethnic mixes throughout Nigeria. Nigeria's bloody 1967-70 civil war seems to have impressed upon the country's elite the importance of national unity as the overriding framework, avoiding the kind of domination by one ethnic group or another which has characterized the politics of many African countries.

A Shared Interest in "Muddling Through"

15. (S/NF) The Nigerians of the generation which fought the Biafran civil war, who are now in their late 50s or early 60s, seem to have learned that there must be a prevailing view which provides for, more or less, an equitable division of oil wealth and political influence among different ethnic and regional groups. Moreover, these elite have gone to considerable lengths to institutionalize this ethnic balancing of wealth, office, and power making it an integral part of the Nigerian political system. The constitution requires the GON to be organized in such a way as to "reflect the federal character of Nigeria and promote national unity," and that there be "no predominance of persons from a few states or from a few ethnic or sectional groups." It establishes a "Federal Character Commission" to define and enforce these provisions, requiring not only that every state be represented in the Cabinet, but that ethnic balancing be carried out in the military and security forces, the diplomatic service, and at least as far down as middle

managers in the bureaucracy. Above and beyond the legal requirements for ethnic balancing, Nigeria's political elite has developed a set of informal understandings about the sharing and rotation of office and wealth among the country's 36 states and six geo-political zones. The result is a system where all parts of the elite have a stake in the system, and none can permanently predominate. The ruling Peoples Democratic Party (PDP) has institutionalized these further into the geographical and ethnic sharing-out of party offices.

¶6. (S/NF) No one would argue that such arrangements are efficient, let alone democratic. They do, however, give all sections of the elite a stake in the existing order and a strong incentive to "muddle through" political difficulties. While certainly cumbersome, they do at least make more unlikely the kind of ethnic-based crises we have seen recently in several African states, and which almost tore Nigeria apart 40 years ago.

The What Next Scenarios

¶7. (S/NF) Hence, the question today is how does this play out in the current crossroads that Nigeria faces? President Yar'Adua's government is currently facing two major possible crises: that the Supreme Court will annul his 2007 election, or that his declining health will lead to his permanent incapacitation or death well before his current term ends in ¶2011. Some pundits, as well as the arguments laid out in the NIE, suggest that such crises would likely lead to major outbreaks of civil unrest and communal violence. By contrast, we believe the elite here would come up with a "Nigerian solution" to deal with such a crisis without major/major political disruption or a breakdown in civil order, "muddling through" in the Nigerian way. Were the 2007 election to be annulled, we would expect the ruling PDP to settle on a candidate (certainly a Northerner), and that this candidate would win the rerun presidential elections. Unfortunately, we would not expect a rerun election to be better than the 2007 chaotic mess as election reform is still pending, but it would probably be no worse. Were Yar'Adua to die in office, we would expect Vice President Goodluck Jonathan to succeed him as a transitional president until the 2011 elections. He would also be encouraged to pick (or be directed by the PDP leadership to pick) a strong replacement VP (again a Northerner) who would govern with him and could serve as the PDP's 2011 presidential candidate.

Economics: The Limited Vulnerabilities of a "Village Economy"

¶8. (S/NF) The NIE notes that the past eight years of high oil revenues have not translated into significant macro-economic gains nor have they been used to repair Nigeria's deteriorating infrastructure, and that, in fact, most of the country's oil wealth has either been stolen or squandered. It also underscores that the country will become increasingly vulnerable to economic disruption should there be a major fall in world oil prices. We noted that even the one agency in the intelligence community which dissented from the NIE highlighted this vulnerability. Such a collapse, however, has now happened, with oil prices falling by more than half within a period of two months. In addition, virtually all the foreign capital which had been invested in the Nigerian stock market (much of it in the non-oil sector) has now been pulled out as a consequence of the global financial crisis.

¶9. (C) By contrast, our sense is that the dire predictions of economic disruption as a result of falling oil prices and the withdrawal of capital are not likely to be realized as foreshadowed. It is true that the GON has had to revise downward the benchmark price it uses to make budgetary calculations, and it has had to pump some money into the banking sector. Since the 2006 bank consolidation, however, Nigerian banks are more capable of handling difficulties. The banks should, of course, be closely monitored because

they have built up large sums of cash but have been reluctant to lend. Nonetheless, several economic indicators suggest that the Nigerian economy will be less affected by the global financial difficulties than most other developing countries. Even after some falls in revenue, there should still be enough wealth left to keep the wheels of the elite economy sufficiently greased. We note, however, that corruption by the elite is still very endemic and that the USG will need to maintain its strong vigil on this issue. Overall, of course, the GON could do even more to cushion the impact of any revenue losses if it did a better job of spending its own capital budget. The lead economist of the World Bank Nigeria office told the U.S. Mission recently that only 30 percent of the current capital budget has been spent, with only six weeks left in the calendar and budget year. The vast majority of Nigerians, who live largely in a subsistence agricultural economy, will, in any case, be even less affected.

A Less Political Military

¶10. (S/NF) The NIE presages the risk that younger officers could take advantage of either a political or economic crisis to mutiny and overthrow the civilian government. While anyone familiar with Nigerian history would be worried about the possibility of yet another military coup, our sense is that this risk is, in fact, rather small at present. The military is still reeling from the long term effects of sanctions from the 1990s, and is not eager to incur more restrictions on its desire to modernize and be recognized as a first rate military. Popular aversion among Nigerians to another military government remains strong, even within the military itself. Moreover, there is a rising generation of educated Nigerians from civil society to well-educated Nigerians returning from the diaspora, who have invested in business or are now in the government, who have never lived under a military regime. There is also a robust Nigerian civil society and press that take their watch-dog roles very seriously and would fight such a move backwards.

¶11. (S/NF) Even within the military, many of those who served or participated in the post-independence coups are now well into their late 50s and 60s, and beyond. In addition, former President Obasanjo, himself a veteran of several coups, vigorously purged, restructured and down-sized the military during his eight year term as civilian President. During the first months of the Yar'Adua government, there were rumblings of discontent over poor military pay and conditions, but the GON acted to address these problems, defusing the tensions. Additionally, the newly appointed Chief of Defense Staff and Service Chiefs share reputations for capability, relative honesty and respect for both civilian rule and the rule of law. We, of course, continue to monitor this issue closely, but do not currently see evidence of growing discontent in the military, certainly not the sort which could lead to a coup or other military intervention for political purposes in the 5-year time-frame forecasted.

Getting Nigeria Beyond "More of the Same"

¶12. (S/NF) Over the next five years, we fully acknowledge the many economic and political problems which the NIE well describes. It is shocking to anyone who has followed this country over many years that so much oil money has produced so few gains, that corruption is still rampant, that most Nigerians are still so poor, and that a country which moved into electoral politics and effective self-government only shortly after Ghana should have made so little progress on development and on taking better care of its people. However, these issues seem for now to run on a different track than the recognition of the importance of national unity. While we predict that the current state of affairs of poor progress on developmental and corruption issues are likely to continue, over the short to medium term, we are not/not suggesting that this situation is one we find satisfactory in a country which is one of our most important

strategic partners on the continent. Indeed, we see many of the same dangers as laid out in the NIE, but we do not see military coup scenarios in the 5-year horizon or the country breaking into ethnic enclaves.

Wrapping Up: Conclusionary Points

13. (C) Our sense is that, if Nigeria is to move in a different direction, an upward spiral instead of either more of the same or a downward trend, it will need the help of its friends. Nigerians are proud of their country, and believe they should lead the continent, even when they are not exactly sure in what direction, or have no capacity to do so in some areas. Nonetheless, they do heed the advice of their close partners, particularly the USG, and will privately -- if not always publicly -- consider our admonitions to avoid a perilous path. Our forthrightly expressed concerns about former President Obasanjo's third term aspirations played an important catalytic role in turning Nigeria away from that course with the National Assembly stepping up and playing a truly democratic role. This Mission is already working hard on promoting economic reform, good governance and democratic progress, and identifying those allies whom we can work with -- reforming Governors, NGO activists, selected National Assembly members, the press and returning members of the diaspora, etc. -- in these efforts. We can draw strength from the fact that this is a country where the vast majority of people care greatly about what the USG thinks of them and their efforts, and where we continue to enjoy considerable access to both leaders and ordinary people. Helping Nigeria along this road will not be easy, but we believe there is time enough to do it.

14. (U) The Ambassador is presently in Lagos. This message is a U.S. Mission-wide coordinated message.

BLAIR